

**TINTIC SCHOOL DISTRICT  
FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010**

**TINTIC SCHOOL DISTRICT**  
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Year Ended June 30, 2010

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# GILBERT & STEWART

CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION  
ESTABLISHED 1974

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## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Tintic School District

November 26, 2010

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tintic School District (District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

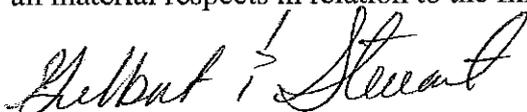
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Tintic School District as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The budget schedules, combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



GILBERT & STEWART  
Certified Public Accountants

## Management's Discussion and Analysis

As management of Tintic School District (District), we offer readers of the District's financial statements this narrative discussion, overview, and analysis of the financial activities of the District for the fiscal year ending June 30, 2010. We encourage readers to consider the information presented here in conjunction with this report and the District's financial statements, which follow this section.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the assets and liabilities of the District, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the net assets of the District changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements can be found on pages 9 through 10 of this report.

#### Fund Financial Statements

A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds** are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the *general fund*, *capital projects fund*, and *debt service fund*, all of which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget on page 28 of this report.

The basic governmental fund statements can be found on pages 11 to 14 of this report.

*Fiduciary funds* are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are *not* reflected in the government-wide financial statement because the District cannot use these funds to finance its operations.

### **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 15 to 27 of this report.

### **Other Information**

The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 29 to 31 of this report.

## **Government-Wide Financial Analysis (full accrual basis of accounting)**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$3,503,620 at June 30, 2010.

## TINTIC SCHOOL DISTRICT NET ASSETS

	Governmental Activities	
	2010	2009
Current and other assets	\$ 2,015,178	\$ 1,563,596
Capital assets	<u>2,511,591</u>	<u>2,852,563</u>
Total assets	<u>4,526,769</u>	<u>4,416,159</u>
Current and other liabilities	464,460	514,651
Noncurrent liabilities	<u>558,689</u>	<u>778,987</u>
Total liabilities	<u>1,023,149</u>	<u>1,293,638</u>
<b>Net assets:</b>		
Invested in capital assets, Net of related debt	2,257,591	2,522,563
Restricted	783,340	604,600
Unrestricted	<u>462,689</u>	<u>(4,612)</u>
Total net assets	<u>\$ 3,503,620</u>	<u>\$ 3,122,551</u>

The largest portion of the District's net assets (64%) reflects its investment in capital assets less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to students and consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the District's net assets (22%) represent resources that are subject to external restrictions on how they may be used.

- Designation for Undistributed Reserve

As allowed by law, the District has established an *undistributed reserve* of \$50,000 of general fund budgeted revenues within the general fund which is set aside for contingencies or possible reductions in state funding and not to be used in negotiation or settlement of contract salaries. The maintenance of a sufficient reserve is a key credit consideration in the District's bond rating of AAA (Underlying Rating: Baa1) given by Moody's Investor Service.

As of June 30, 2010, the District is able to report positive balances in all of the three categories of net assets.

TINTIC SCHOOL DISTRICT'S CHANGES IN NET ASSETS

	Governmental Activities	
	2010	2009
<b>Revenues:</b>		
Program Revenues:		
Charges for services	\$ 148,420	\$ 219,727
Grants and Contributions	1,427,432	2,426,188
General revenues:		
Property taxes	309,683	288,615
Federal and state aid not restricted to specific purposes	2,146,192	1,375,771
Earnings on Investments	6,552	24,082
Total revenues	4,038,279	4,334,383
<b>Expenses:</b>		
Instruction	\$ 2,375,140	\$ 3,230,080
Support services:		
Students	64,998	76,453
Instructional staff	134,913	214,764
District administration	274,039	270,098
School Administration	85,427	250,817
Business	105,974	105,999
Operation and maintenance of facilities	334,692	278,057
Transportation	176,751	159,342
School lunch services	91,547	110,438
Interest on long-term liabilities	13,699	16,301
Total expenses	3,657,180	4,712,349
Increase (decr) in net assets	381,099	(377,966)
Net assets - beginning	3,122,521	3,500,487
Net assets - ending	\$ 3,503,620	\$ 3,122,521

**Financial Analysis of the District's Funds (modified accrual basis)**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's Financing requirements. The unreserved fund balance is divided between designated balances and

undesignated balances. The District has designated portions of the unreserved fund balance to earmark resources for certain government-wide liabilities that are not recognized in the governmental funds. Undesignated balances in the general fund are required by state law to be appropriated in the following year's budget. Fund balances of capital projects and other governmental funds are restricted by state law to be spent for the purpose of the fund and are not available for spending at the District's discretion.

The *general fund* is the chief operating fund of the District. At June 30, 2010, unreserved and undesignated fund balance was \$606,496 while the total fund balance was \$1,091,368. The unreserved and undesignated fund balance increased by \$405,305 while the total fund balance increased by \$360,292 during the fiscal year. Annual expenditures in the general fund were \$6,699 less than the final budgeted amounts, and resources available for appropriation were \$73,736 more than final budgeted amounts.

The *debt service fund* has a total fund balance of \$326,783 of which it is all reserved for debt payments. The fund balance increased by \$40,795 during the year.

The *capital projects fund* has a total fund balance of \$329,734 of which all is reserved for acquisition of capital assets and related expenditures. The fund balance decreased by \$177,516 during the fiscal year.

The *non K-12 programs special revenue fund* has a total fund deficit of (\$148,297). This fund is restricted to non-kindergarten through twelfth grade programs and other community programs. The fund balance decreased by \$36,907 during the fiscal year.

The *school lunch special revenue fund* has a total fund deficit of (\$211,085). This fund is restricted to food service programs. The fund balance decreased by \$17,251 during the fiscal year.

The *student activity special revenue fund* has a total fund balance of \$93,491. The fund is restricted to student programs. The fund balance decreased by \$40,176 during the fiscal year.

The *tintic education foundation special revenue fund* has a fund balance of \$33,747. These assets are controlled by an independently organized nonprofit corporation under a Utah Charter.

## **Capital Assets and Debt Administration**

### **A. Capital Assets**

The capital projects fund is used primarily to account for costs incurred in acquiring, maintaining, and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the District.

The primary class of capital assets used by the District to provide educational services to the public is school buildings. The District continually evaluates the cost efficiency of its buildings as part of its on-going capital improvements plan.

Capital assets at June 30, 2010 are outlined below:

TINTIC SCHOOL DISTRICT'S CAPITAL ASSETS  
(net of accumulated depreciation)

	<u>2010</u>	<u>2009</u>
Land, Buildings and Improvements	\$2,196,255	\$2,422,913
Furniture and equipment	169,770	261,628
Autos & Buses	<u>145,566</u>	<u>168,022</u>
	<u>\$2,511,591</u>	<u>\$2,852,563</u>

B. Debt administration

The general obligation bonded debt of the District is limited by state law to 4% of the fair market value of the total taxable property in the District. The legal debt limit at June 30, 2010 was \$1,164,304 while the general obligation debt at that date was \$254,000, resulting in a legal debt margin of \$910,304. This debt was reduced by principal payments of \$76,000 during the fiscal year.

Additional information on the District's long-term liabilities can be found in Note 7 to the basic financial statements.

**Requests for Information**

This financial report is designed to provide a general overview of Tintic School District's finances and to demonstrate the District's accountability for the funds it receives. If you have any questions concerning this report or need additional financial information, please contact the Office of the Business Administrator, Tintic School District, Eureka, Utah 84628.

## **BASIC FINANCIAL STATEMENTS**

**TINTIC SCHOOL DISTRICT**  
**Statement of Net Assets**  
June 30, 2010

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and investments	\$ 1,271,489
Receivables:	
Property taxes	315,109
Other	422,804
Inventories	4,075
Bond issuance costs, net	1,701
Capital assets:	
Capital assets, net of accumulated depreciation	2,511,591
Total assets	4,526,769
 <b>Liabilities:</b>	
Accounts payable	19,604
Accrued interest	415
Accrued salaries	176,940
Deferred revenue:	
Property taxes	265,811
Local sources	1,690
Noncurrent liabilities:	
Due within one year	160,008
Due in more than one year	398,681
Total liabilities	1,023,149
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt	2,257,591
Restricted for:	
Student activity	93,491
Foundation	33,747
Debt service	326,368
Capital projects	329,734
Unrestricted	462,689
Total net assets	\$ 3,503,620

*The notes to the financial statements are an integral part of this statement.*

**TINTIC SCHOOL DISTRICT**

**Statement of Activities**

Year Ended June 30, 2010

Functions	Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
			Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
Instructional services	\$ 2,375,140	\$ 134,467	\$ 830,487	\$ 200,000	\$ (1,210,186)
Supporting services:					
Students	64,998	-	32,314	-	(32,684)
Instructional staff	134,913	1,195	-	-	(133,718)
District administration	274,039	-	244,815	-	(29,224)
School administration	85,427	-	-	-	(85,427)
Business	105,974	-	-	-	(105,974)
Operation and maintenance of facilities	334,692	-	-	-	(334,692)
Transportation	176,751	-	63,031	-	(113,720)
School lunch services	91,547	12,758	56,785	-	(22,004)
Interest on long-term liabilities	13,699	-	-	-	(13,699)
Total school district	\$ 3,657,180	\$ 148,420	\$ 1,227,432	\$ 200,000	(2,081,329)

**General revenues:**

Property taxes levied for:	
General purposes	149,912
Recreation	634
Debt service	130,037
Capital outlay	29,101
Federal and state aid not restricted to specific purposes	2,146,192
Earnings on investments	6,552

**Total general revenues**

Total general revenues	2,462,428
Change in net assets	381,099
<b>Net assets - beginning</b>	<b>3,122,521</b>
<b>Net assets - ending</b>	<b>\$ 3,503,620</b>

The notes to the financial statements are an integral part of this statement.

**TINTIC SCHOOL DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
June 30, 2010

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	Debt Service	Capital Projects		
<b>Assets:</b>					
Cash and investments	\$ 496,234	\$ 319,837	\$ 328,180	\$ 127,238	\$ 1,271,489
Receivables:					
Property taxes	152,102	130,033	32,285	689	315,109
Other receivables	412,662	-	-	10,142	422,804
Due from other funds	371,742	-	-	-	371,742
Inventory	200	-	-	3,875	4,075
<b>Total assets</b>	<b>\$ 1,432,940</b>	<b>\$ 449,870</b>	<b>\$ 360,465</b>	<b>\$ 141,944</b>	<b>\$ 2,385,219</b>
<b>Liabilities and fund balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 19,604	\$ -	\$ -	\$ -	\$ 19,604
Accrued salaries	176,940	-	-	-	176,940
Deferred revenue:					
Property taxes	145,028	123,087	30,731	656	299,502
USDA Commodities	-	-	-	1,690	1,690
Due to other funds	-	-	-	371,742	371,742
<b>Total liabilities</b>	<b>341,572</b>	<b>123,087</b>	<b>30,731</b>	<b>374,088</b>	<b>869,478</b>
<b>Fund Balances:</b>					
Reserved for:					
Inventory	200	-	-	-	200
Debt service	-	326,783	-	-	326,783
Designated for:					
Undistributed reserve	50,000	-	-	-	50,000
Schools	434,672	-	-	129,421	564,093
Undesignated, reported in:					
General fund	606,496	-	-	-	606,496
Capital projects fund	-	-	329,734	-	329,734
Special revenue funds	-	-	-	(361,565)	(361,565)
<b>Total fund balances</b>	<b>1,091,368</b>	<b>326,783</b>	<b>329,734</b>	<b>(232,144)</b>	<b>1,515,741</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,432,940</b>	<b>\$ 449,870</b>	<b>\$ 360,465</b>	<b>\$ 141,944</b>	<b>\$ 2,385,219</b>

*The notes to the financial statements are an integral part of this statement.*

**TINTIC SCHOOL DISTRICT**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Assets**  
June 30, 2010

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**Total fund balances for governmental funds** \$ 1,515,741

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:

Buildings and improvements, net of \$5,772,880 accumulated depreciation	\$ 2,196,255	
Furniture and equipment, net of \$1,336,950 accumulated depreciation	169,770	
Autos & Buses, net of \$395,511 accumulated depreciation	145,566	2,511,591

Long-term assets applicable to the School District's governmental activities not available to pay for expenditures of the current period are therefore, deferred in the governmental fund balance sheet

Delinquent Property Taxes		33,691
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Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Accrued interest for general obligation bonds is \$415.		(415)
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Bond issuance costs are reported as expenditures in the governmental funds. The cost is \$5,675 and accumulated amortization is \$3,974		1,701
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Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets. Balances at year-end are:

Bonds payable	(254,000)	
Accrued Vacations	(163,377)	
Early retirement payable	(141,312)	(558,689)

<b>Total net assets of governmental activities</b>		<b>\$ 3,503,620</b>
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**TINTIC SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2010**

	<u>Major Funds</u>			<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>		
<b>Revenues:</b>					
Property taxes	\$ 132,446	\$ 130,037	\$ 29,101	\$ 634	\$ 292,218
Earnings on investments	5,539	-	-	1,013	6,552
School lunch sales	-	-	-	12,758	12,758
Other local sources	105,302	-	-	120,649	225,951
State aid	2,884,200	-	200,000	53,513	3,137,713
Federal aid	291,216	-	-	51,490	342,706
Total revenues	<u>3,418,703</u>	<u>130,037</u>	<u>229,101</u>	<u>240,057</u>	<u>4,017,898</u>
<b>Expenditures:</b>					
Current:					
Instructional services	1,893,836	-	-	247,101	2,140,937
Supporting services:					
Students	58,186	-	-	-	58,186
Instructional staff	134,913	-	-	-	134,913
District administration	274,039	-	-	-	274,039
School administration	144,320	-	-	-	144,320
Business	104,929	-	-	-	104,929
Operation and maintenance of facilities	333,010	-	-	-	333,010
Transportation	140,183	-	-	-	140,183
School lunch services	-	-	-	86,794	86,794
Capital outlay	-	-	51,585	-	51,585
Debt service:					
Principal retirement	-	76,000	-	-	76,000
Interest and fiscal charges	-	13,242	-	-	13,242
Total expenditures	<u>3,083,416</u>	<u>89,242</u>	<u>51,585</u>	<u>333,895</u>	<u>3,558,138</u>
Excess (deficiency) of revenues over (under) expenditures	335,287	40,795	177,516	(93,838)	459,760
<b>Other financing sources</b>					
Sale of capital assets	25,005	-	-	-	25,005
Net change in fund balances	360,292	40,795	177,516	(93,838)	484,765
<b>Fund balances - beginning</b>	<u>731,076</u>	<u>285,988</u>	<u>152,218</u>	<u>(138,306)</u>	<u>1,030,976</u>
<b>Fund balances - ending</b>	<u>\$ 1,091,368</u>	<u>\$ 326,783</u>	<u>\$ 329,734</u>	<u>\$ (232,144)</u>	<u>\$ 1,515,741</u>

*The notes to the financial statements are an integral part of this statement.*

**TINTIC SCHOOL DISTRICT**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances of Government Funds to the Statement of Activities**  
Year Ended June 30, 2010

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**Net change in fund balances-total governmental funds** \$ 484,765

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$500 for furniture and equipment and \$100,000 for buildings and improvements are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlays	\$ 113,410	
Depreciation expense	<u>(454,382)</u>	(340,972)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues and are deferred in the funds. However in the statement of activities revenues are reported when earned.

Delinquent Property Taxes	17,466
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The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of bond principal	76,000	
Accrued interest	109	
Amortization of bond issuance costs	<u>(567)</u>	75,542

In the statement of activities, certain operating expenses - compensated absences (vacations), special termination benefits (early retirement) and claims (arbitrage rebates) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). During this year, early retirement payable increased by \$144,298

<b>Change in net assets of governmental activities</b>	<u><u>\$ 381,099</u></u>
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**TINTIC SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Tintic School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principals. The more significant accounting policies of the District are described below.

- **Reporting Entity** - The Board of Education, comprised of five elected individuals, is the primary governing authority for the District. As required by GAAP, these financial statements present the District and its blended component unit, the Tintic Education Foundation. The foundation is reported as special revenue fund.
  
- The District is not a component unit of any other primary government.

**Government-wide and fund financial statements** – The *government-wide financial statements* (i.e., the statement of net assets and the statement of changes in net assets) display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to a particular function. Depreciation expense for capital assets that can specifically be identified with a function are included in its direct expenses. Depreciation expense for "shared" capital assets (for example, a school building is used primarily for instructional, school administration, operation and maintenance of facilities, and school lunch services) are ratably included in the direct expenses of the appropriate functions. Indirect expense allocation that have been made in the funds have been reversed for the statement of activities. Interest on general long-term liabilities is considered an indirect expense and is reported in the statement of activities as a separate line.

Program revenues include 1) fees and charges paid by students and other recipients of goods or services, offered by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as program revenues, including property taxes, are presented as general revenues.

The *fund financial statements* provide information about the District's funds, including its fiduciary funds and blended component unit. Separate statements for each fund category (governmental, proprietary, and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

- The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

**TINTIC SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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- The *Debt Service Fund* is used to account for the accumulation of resources and payment of general obligation bond principal and interest. Financing is provided by an annual property tax levy.
- The *Capital Projects Fund* accounts for resources accumulated and payments made for the acquisition and improvement of sites, construction and remodel of facilities, and procurement of equipment necessary for providing educational programs for all students within the District. Financing is provided by an annual property tax. Also, state funds can be obtained by qualifying under guidelines established for districts determined to be in critical need for construction building aid.

The District reports the following special revenue funds:

- The *School Lunch Fund* is used to account for the food service activities of the District as required by state and federal law. Financing is provided by local sales along with substantial subsidies from the State of Utah and the U.S. Government to help ensure that students receive low-cost nutritionally balanced meals.
- The *Non K-12 Fund* is used to account for programs that are not part of the basic educational program of kindergarten, elementary and secondary students. These areas include: Adult education and preschool for disabled students. This fund is also used to account for costs to provide community educational and recreational activities. Financing is provided primarily by a recreation tax levy and student fees. This annual property tax levy is authorized by Utah Code 11-2-7 and does not have a maximum statutory rate. Fees charged to the user provide additional funds as necessary.
- The *Tintic Education Foundation* is used to account for assets controlled by an independently organized nonprofit corporation under a Utah Charter. The Foundation is overseen by a Board of Trustees: A member of the Tintic School District Board of Education, the superintendent of the District, and two non-voting employees of the School District. All Board of Trustees members are elected by the current members of the Board of Trustees. The Board of Trustees has exclusive care, custody and control of the Foundation's properties and exercises all of the powers granted by the laws of the State of Utah, its Articles of Incorporation, and the Bylaws.
- The *Student Activity Fund* is comprised of revenue and expenditures from school-based operations.

**Measurement focus, basis of accounting, and financial statement presentation** – The *government-wide and fiduciary fund financial statements* are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District receives value without directly giving equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**TINTIC SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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*Governmental fund financial statements* are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes and interest are considered to be susceptible to accrual.

All other revenue items are considered to be measurable and available only when the District receives cash. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, early retirement and post-employment healthcare benefits, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

- During June of each year, the District superintendent submits to the Board a proposed operating budget for the next fiscal year commencing July 1<sup>st</sup>. This budget includes proposed expenditures and the means of financing them. Included also is a final budget for the current year ending June 30<sup>th</sup>.
- Copies of the proposed budget are made available for public inspection and review by the District's patrons.

If the District does not exceed the certified tax rate, a public hearing is held prior to June 22nd at which the budget is legally adopted by resolution of the Board after obtaining taxpayer input. If the District exceeds the certified tax rate, the budget is adopted in August when data is available to set the tax rates.

- Once adopted, the budget can be amended by subsequent Board action. The Board, upon recommendation of the superintendent can approve reductions in appropriations, but increases in appropriations by fund require a public hearing prior to amending the budget. In accordance with Utah state law, interim adjustments may be made by administrative transfer of money from one appropriation to another within any given fund.
- Certain interim adjustments in estimated revenue and expenditures during the year ended June 30, 2010, have been included in the final budget approved by the Board, as presented in the financial statements.
- Expenditures may not legally exceed budgeted appropriations at the fund level.

**TINTIC SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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Negative variances in total revenues and the positive variances in total expenditures are largely a result of federal and state program revenues and related expenditures that do not have a direct impact on the undesignated fund balance. Budgets generally assume the expenditure of all available resources. Therefore, when the budget is prepared, it is assumed these funds will not have a carryover of revenue to a subsequent year. Program revenue received but not spent is restricted and deferred to the subsequent fiscal year. As a result, overall fund revenue variances will be negative, and overall fund expenditure variances will be positive.

**Deposits and Investments** – The cash balances of substantially all funds are pooled and invested by the District for the purpose of increasing earnings through investment activities and providing efficient management of temporary investments. The pool’s investments are reported at fair value at year-end. Changes in the fair value of investments are recorded as investment earnings. Earnings on pooled funds are apportioned and paid or credited to the funds based on the average balance of each participating fund.

**Cash and Cash Equivalents** – The District considers cash and cash equivalents in funds to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Public Treasurers’ Investment Fund (PTIF).

**Receivables and Payables** – Activity between funds that are representative of lending/borrowing arrangements outstanding at year-end are referred to as either “due to/from other funds” (i.e., current portion of interfund loans) or “advances from/to other funds” (i.e., the noncurrent portion of interfund loans).

**Inventories** – Inventories are valued at cost or, if donated, at fair value when received, using the moving average method. The consumption method of accounting is applied to the inventories of all funds.

Inventories of donated United States Department of Agriculture (USDA) commodities on hand at year-end are reported on the balance sheet at fair market value on the date received as inventory. Commodities used during the year are reported as revenue and expenditure on the operating statement.

**Capital Assets** – Capital assets, which include land, buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$500 for land, furniture and equipment and \$100,000 for buildings and improvements and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extended asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Buildings and improvements and furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

**TINTIC SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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<u>Assets</u>	<u>Years</u>
Buildings	30
Building Improvements	30
Furniture	10-20
Machinery and Equipment	3-10
Buses	10
Lunch Equipment	8-15
Musical Instruments	8-10
Licensed Vehicles	10
Computers	5-8
Audio Video Equipment	5-8

**Compensated Absences** – Under terms of association agreements, twelve-month or full-year employees earn sick leave in amounts varying with tenure and classification. In the event of termination or death, an employee is reimbursed for accumulated sick days to a maximum of 20 days.

All sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds if they have matured.

**Long-term Obligations** – In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a restricted purpose. Designations of fund balance represent tentative plans for future use of financial resources that are subject to change.

**Use of Estimates** – Presenting the financial statements in conformity with Generally Accepted Accounting Principles requires management to make certain estimates concerning assets, liabilities, revenues, and expenses. Actual results may vary from these estimates.

**TINTIC SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**2. CASH, CASH EQUIVALENTS AND INVESTMENTS**

*A. Deposits*

Deposits – Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District follows the requirements of the Utah Money Management Act (Section 51, chapter 7 of the Utah Code) in handling its depository and investing transactions. The District considers the actions of the Council to be necessary and sufficient for adequate protection of its uninsured bank deposits. District funds are deposited in qualified depositories as defined by the Act. The District does not have a deposit policy for custodial credit risk. As of June 30, 2010, the District’s custodial credit risk for deposits were as follows:

	<u>Carrying Amount</u>	<u>Bank Amount</u>	<u>Insured Amount</u>
Tintic School District	\$221,498	\$374,391	\$374,391
Tintic School District Foundation	<u>33,746</u>	<u>33,746</u>	<u>0</u>
	<u>\$255,244</u>	<u>\$408,137</u>	<u>\$374,391</u>

*B. Investments*

The District’s investments are managed through participation in the State Public Treasurer’s Investment Fund. As of June 30, 2010, the District had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Utah Public Treasurers’ Investment Fund	62 days average	<u>\$1,016,245</u>

Investments – Interest Rate Risk – The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, interest rate risk is managed by compliance to the Utah Money Management Act which provides guidance for handling depository and investing transactions in order to minimize interest rate risk.

Investments – Credit Risk – The District follows the requirements of the Utah Money Management Act (Section 51, chapter 7 of the Utah Code) in handling its depository and investing transactions. District funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the District to invest in the Utah Public Treasurers’ Investment Fund (PTIF), certificates of deposit, U.S. Treasury obligations, U.S. agency issues, high-trade commercial paper, bankers’ acceptances, repurchase agreements, corporate bonds, restricted mutual funds, and obligations of governmental entities within the State of Utah.

The PTIF is invested in accordance with the Act. The State Money Management Council provides regulatory oversight for the PTIF. The degree of risk of the PTIF depends upon the

**TINTIC SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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underlying portfolio. The PTIF is unrated. The Act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. If a qualified depository should become ineligible to hold public funds, public treasurers are notified immediately. The District considers the actions of the Council to be necessary and sufficient for adequate protection of its investments. The District has no investment policy that would further limit its investment choices.

*Investments – Custodial Credit Risk* – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's entire \$1,016,245 of underlying securities are held by the investment's counterparty, not in the name of the District, and are not insured. The District does not have an investment policy for custodial credit risk.

### **3. PROPERTY TAXES**

The property tax revenue of the District is collected and distributed by the Utah County treasurer as an agent of the District. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 and complete the tax rolls by May 15. By July 21, the county auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The county auditor makes approved changes in assessed value by November 1 and on this same date the county auditor is to deliver the completed assessment rolls to the county treasurer.

Tax notices are mailed with a due date of November 30. Delinquent taxes are subject to a 2% penalty, with a \$10 minimum penalty. If delinquent taxes and penalties are not paid by January 15 of the following year, these delinquent taxes, including penalties, are subject to an interest charge at an annual rate equal to the federal discount rate plus 6%. The interest rate period is from January 1 until the date paid.

As of June 30, 2010, property taxes receivable by the District includes uncollected taxes assessed as of January 1, 2010 or earlier. It is expected that all assessed taxes (including delinquencies plus accrued interest and penalties) will be collected within a five-year period, after which time the county treasurer may force sale of property to collect the delinquent portion.

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**TINTIC SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated				
Land	\$ 5,874	\$ -	\$ -	\$ 5,874
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>5,874</u>	<u>-</u>	<u>-</u>	<u>5,874</u>
Capital assets, being depreciated:				
Buildings and improvements	7,921,113	42,148	-	7,963,261
Furniture and equipment	1,477,356	29,364	-	1,506,720
Autos & Buses	577,467	41,898	78,288	541,077
Total capital assets, being depreciated	<u>9,975,936</u>	<u>113,410</u>	<u>78,288</u>	<u>10,011,058</u>
Accumulated depreciation for:				
Buildings and improvements	(5,504,074)	(268,806)	-	(5,772,880)
Furniture and equipment	(1,215,728)	(121,222)	-	(1,336,950)
Autos & Buses	(409,445)	(42,265)	56,199	(395,511)
Total accumulated depreciation	<u>(7,129,247)</u>	<u>(432,293)</u>	<u>56,199</u>	<u>(7,505,341)</u>
Total capital assets, being depreciated, net	<u>2,846,689</u>	<u>(318,883)</u>	<u>22,089</u>	<u>2,505,717</u>
Governmental activities capital assets, net	<u>\$ 2,852,563</u>	<u>\$ (318,883)</u>	<u>\$ 22,089</u>	<u>\$ 2,511,591</u>

Depreciation expense was charged to functions of the District as follows:

<b>Governmental activities:</b>	\$ 365,543
Instructional services	
Supporting services:	6,812
District administration	6,812
School administration	1,045
Business	10,760
Operation and maintenance of facilities	36,568
Transportation	4,753
School lunch services	
Total depreciation expense, governmental activities	<u>\$ 432,293</u>

**TINTIC SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**5. DEFERRED REVENUE**

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Commodities (school lunch fund)	\$ -	\$ 1,690
Property taxes receivable (governmental funds)	-	265,811
Delinquent Property Taxes (governmental funds)	33,691	-
Total deferred/unearned revenue for governmental funds	\$ 33,691	\$267,501

**6. RETIREMENT PLANS**

**Defined Benefit Plans** - The District contributes to the State and School Contributory Retirement System and State and School Noncontributory Retirement System (Systems), which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (URS). URS provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953, as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Plan members in the State and School Contributory Retirement System are required to contribute 5% of their annual covered salary (all or part may be paid by the employer for the employee) and Tintic School District is required to contribute 9.730% of their member's annual covered salary. In the State and School Noncontributory Retirement System the Tintic School District is required to contribute 14.220% of the member's annual covered salary. The contribution rates are the actuarial determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The District's contributions to the State and School Contributory Retirement System for the years ending June 30, 2010, 2009 and 2008 were \$ 1,507, \$10,961, and \$9,862, respectively. The Noncontributory Retirement System contributions for June 30, 2010, 2009 and 2008 were \$191,982, \$243,900, and \$235,605, respectively. The contributions were equal to the required contributions for each year.

**TINTIC SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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**Defined Contribution Plan** – The District participates in a defined contribution plan under Internal Revenue Code Section 401(k) to supplement retirement benefits accrued by participants in the Systems. Employees covered by the State and School Noncontributory Retirement System have a contribution of 1.5% of covered salaries automatically made by the District. Employees participating in the Systems can make additional contributions to the 401(k) plan up to specified limits. Contributions and earnings may be withdrawn by the employee upon termination or may be used as supplemental income upon retirement. The employer 401(k) contributions for the years ended June 30, 2010, 2009 and 2008 were \$43,435, \$44,836, and \$46,203, respectively; the employee contributions for the years ending June 30, 2010, 2009 and 2008, were \$40,248, \$45,215, and \$46,938, respectively. The 401(k) plan funds are fully vested to the participants at the time of deposit. Plan assets are administered and held by URS.

**Post Retirement Benefits** - The District in previous years had established a post retirement benefit package for their employees. That Plan was discontinued as of June 30, 2009. There were several employees who had retired by the date the plan was cancelled. The District will pay these employees their health insurance premiums and a retirement benefit for five years based on their last year's salary. This liability is recorded on the financial statements as long-term liabilities.

**6. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has joined with other public entities in a common risk management and insurance program operated by the State of Utah Division of Risk Management. The District pays premiums to this risk pool, the Utah State Risk Management Fund, for its general insurance coverage. The pool is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of specified amounts for certain types of risks. The District is subject to a minimal deductible for claims of the risk pool. The District has purchased commercial insurance for other risks of loss including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**TINTIC SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**7. LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2010 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Bonds payable:					
General obligation bonds	\$ 330,000	\$ -	\$ (76,000)	\$ 254,000	\$ 80,000
	-	-	-	-	-
Total bonds payable, net	330,000	-	(76,000)	254,000	80,000
Accrued vacation	229,082	-	(65,705)	163,377	43,392
Early retirement payable	219,905	-	(78,593)	141,312	36,616
Total governmental activity long-term liabilities	<u>\$ 778,987</u>	<u>\$ -</u>	<u>\$ (220,298)</u>	<u>\$ 558,689</u>	<u>\$ 160,008</u>

Payments on the general obligation bonds are made by the debt service fund from property taxes and earnings on investments. Vacation and early retirement benefits will be paid by the fund in which the employee worked.

**General Obligation Bonds** - The District issues general obligation bonds to finance the purchase of major capital items and the acquisition or construction of major capital facilities.

Outstanding general obligation bonds at June 30, 2010 are as follows:

Series 2003 Bonds - original amount \$408,000 at interest rates of 1.9% to 4.05%. The debt service requirements to maturity for the general obligation bonds are shown below:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 80,000	\$ 9,963	\$ 89,963
2012	83,000	6,922	89,922
2013	91,000	3,686	94,686
Total	<u>\$ 254,000</u>	<u>\$ 20,571</u>	<u>\$ 274,571</u>

**TINTIC SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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The general obligation bonded debt of the District is limited by state law to 4% of the fair market value of the total taxable property in the District. The legal debt limit at June 30, 2010 is \$1,164,304. General obligation debt at June 30, 2010 is \$254,000, resulting in a legal debt margin of \$910,304.

Interest on Long-term Debt

Interest paid on General Obligation Debt of \$13,699 was reported as a separate line on the statement of activities and not included in the functional expenses.

**8. DESIGNATED FOR UNDISTRIBUTED RESERVE**

Utah State law allows for the establishment of an undistributed reserve. The Board of Education must authorize expenditures from the undistributed reserve. This reserve is for contingencies. According to State law, the District may not use undistributed reserves in the negotiation or settlement of contract salaries for District employees. The undistributed reserve may not exceed 5% of the current fiscal year's total general fund budgeted revenues. Use of the reserve requires a written resolution adopted by a majority vote of the Board filed with Utah State Board of Education and State Auditor.

**9. GRANTS**

The District receives significant financial assistance from Federal and State governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. Based on prior experience, District administration believes such disallowance, if any, would be immaterial.

**10. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Utah law requires that actual expenditures shall not exceed budgeted appropriations for any fund. Actual expenditures in the General Fund exceeded budgeted expenditures as follows:

General Fund	
Instructional Services	\$ 7,811
Operations and Maintenance	16,010
Transportation	<u>1,187</u>
	<u>\$ 25,008</u>

Student Activity Fund exceeded budgeted expenditures as follows: \$158,897

**TINTIC SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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**11. DEFICIT FUND EQUITY**

The school lunch fund had a deficit fund balance of \$211,085 as of June 30, 2010. The fund incurred expenditures greater than the revenue. The District plans to transfer funds from the general fund to cover this deficit.

The non K-12 programs had a deficit fund balance of \$148,297 as of June 30, 2010. The District expects the revenues to exceed the expenditures by June 30, 2010.

**12. SUBSEQUENT EVENTS**

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through November 26, 2010, the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TINTIC SCHOOL DISTRICT**  
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
**General Fund**  
Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Property taxes	\$ 106,750	\$ 128,476	\$ 132,446	\$ 3,970
Earnings on investments	23,000	5,100	5,539	439
Other local sources	82,075	74,487	105,302	30,815
State aid	2,959,114	2,916,136	2,884,200	(31,936)
Federal aid	199,611	252,472	291,216	38,744
Total revenues	<u>3,370,550</u>	<u>3,376,671</u>	<u>3,418,703</u>	<u>42,032</u>
<b>Expenditures:</b>				
Current:				
Instructional services	1,920,250	1,886,025	1,893,836	(7,811)
Supporting services:				
Students	75,800	60,592	58,186	2,406
Instructional staff	255,720	156,532	134,913	21,619
District administration	256,400	276,666	274,039	2,627
School administration	190,150	147,637	144,320	3,317
Business support services	103,100	106,667	104,929	1,738
Operation and maintenance of facilities	303,600	317,000	333,010	(16,010)
Transportation	126,225	138,996	140,183	(1,187)
Total expenditures	<u>3,231,245</u>	<u>3,090,115</u>	<u>3,083,416</u>	<u>6,699</u>
Excess of revenues over expenditures	<u>139,305</u>	<u>286,556</u>	<u>335,287</u>	<u>48,731</u>
<b>Other financing sources and uses</b>				
Sale of Capital assets	-	-	25,005	25,005
Net change in fund balances	139,305	286,556	360,292	73,736
<b>Fund balances - beginning</b>	<u>731,076</u>	<u>731,076</u>	<u>731,076</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ 870,381</u>	<u>\$ 1,017,632</u>	<u>\$ 1,091,368</u>	<u>\$ 73,736</u>

## **SUPPLEMENTAL INFORMATION**

**TINTIC SCHOOL DISTRICT**  
Combining Balance Sheet  
**Nonmajor Governmental Funds**  
June 30, 2010

	Special Revenue				Total Nonmajor Governmental Funds
	School Lunch	Non K-12 Programs	Tintic School District Foundation	Student Activity	
<b>Assets:</b>					
Cash and investments	\$ -		\$ 33,747	93,491	\$ 127,238
Receivables:					
Property taxes	-	689	-	-	689
Other governments	-	10,142	-	-	10,142
Inventory	3,875	-	-	-	3,875
Total assets	<u>\$ 3,875</u>	<u>\$ 10,831</u>	<u>\$ 33,747</u>	<u>\$ 93,491</u>	<u>\$ 141,944</u>
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ -	\$ -	-	\$ -
Deferred revenue:					
Property taxes	-	656	-	-	656
Other governments -USDA Commodities	1,690	-	-	-	1,690
Due to other funds	213,270	158,472	-	-	371,742
Total liabilities	<u>214,960</u>	<u>159,128</u>	<u>-</u>	<u>-</u>	<u>374,088</u>
<b>Fund balances:</b>					
Unreserved:					
Designated for schools	2,183	-	33,747	93,491	129,421
Undesignated	(213,268)	(148,297)	-	-	(361,565)
Total fund balances	<u>(211,085)</u>	<u>(148,297)</u>	<u>33,747</u>	<u>93,491</u>	<u>(232,144)</u>
Total liabilities and fund balances	<u>\$ 3,875</u>	<u>\$ 10,831</u>	<u>\$ 33,747</u>	<u>\$ 93,491</u>	<u>\$ 141,944</u>

**TINTIC SCHOOL DISTRICT**  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
**Nonmajor Governmental Funds**  
Year Ended June 30, 2010

	<u>Special Revenue</u>				<b>Total Nonmajor Governmental Funds</b>
	<b>School Lunch</b>	<b>Non K-12 Programs</b>	<b>Tintic Educational Foundation</b>	<b>Student Activity</b>	
<b>Revenues:</b>					
Property Taxes	\$ -	\$ 634	\$ -		\$ 634
Student fees	-	1,195	-	118,721	119,916
Lunch sales	12,758	-	-		12,758
Earnings on investments	-	-	1,013		1,013
Other local revenues	-	-	733		733
State aid	8,628	44,885	-		53,513
Federal aid	48,157	3,333	-		51,490
<b>Total revenues</b>	<u>69,543</u>	<u>50,047</u>	<u>1,746</u>	<u>118,721</u>	<u>240,057</u>
<b>Expenditures:</b>					
Current:					
Instructional services	-	86,954	1,250	158,897	247,101
School lunch services	86,794	-	-		86,794
<b>Total expenditures</b>	<u>86,794</u>	<u>86,954</u>	<u>1,250</u>	<u>158,897</u>	<u>333,895</u>
Excess of revenues over expenditures	(17,251)	(36,907)	496	(40,176)	(93,838)
<b>Other financing sources</b>					
Transfer in					-
<b>Net change in fund balances</b>	<u>(17,251)</u>	<u>(36,907)</u>	<u>496</u>	<u>(40,176)</u>	<u>(93,838)</u>
<b>Fund balances - beginning</b>	<u>(193,834)</u>	<u>(111,390)</u>	<u>33,251</u>	<u>133,667</u>	<u>(138,306)</u>
<b>Fund balances - ending</b>	<u>\$ (211,085)</u>	<u>\$ (148,297)</u>	<u>\$ 33,747</u>	<u>\$ 93,491</u>	<u>\$ (232,144)</u>

**TINTIC SCHOOL DISTRICT**  
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
*Tintic Educational Foundation*  
Year Ended June 30, 2010

	<b>2010</b>		<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Final Budgeted Amounts</b>	<b>Actual Amounts</b>	
<b>Revenues:</b>			
Local sources:			
Earning on Investments	\$ 750	\$ 1,013	\$ 263
Other	2,500	733	(1,767)
Total local sources	3,250	1,746	(1,504)
Total revenues	3,250	1,746	(1,504)
<b>Expenditures:</b>			
Current:			
Instructional Services	2,500	1,250	1,250
Total expenditures	2,500	1,250	1,250
Excess (deficiency) of revenues over (under) expenditures	750	496	(254)
Net change in fund balances	750	496	(254)
<b>Fund balance - beginning</b>	33,251	33,251	-
<b>Fund balance - ending</b>	\$ 34,001	\$ 33,747	\$ (254)

**TINTIC SCHOOL DISTRICT**  
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
**School Lunch**  
**Nonmajor Special Revenue Fund**  
Year Ended June 30, 2010

	2010		Variance with Final Budget - Positive (Negative)
	Final Budgeted Amounts	Actual Amounts	
<b>Revenues:</b>			
Local sources:			
Lunch sales - children	\$ 11,690	\$ 11,690	\$ -
Lunch Sales - adult	1,068	1,068	-
Other local sales	-	-	-
Total local sources	<u>12,758</u>	<u>12,758</u>	<u>-</u>
State sources:			
State lunch program	7,878	8,628	750
Total state sources	<u>7,878</u>	<u>8,628</u>	<u>750</u>
Federal sources:			
Federal lunch program	4,986	5,627	641
Free and reduced assistance	30,589	35,153	4,564
Breakfast program	6,330	7,377	1,047
Other	-	-	-
Total federal sources	<u>41,905</u>	<u>48,157</u>	<u>6,252</u>
Total revenues	<u>62,541</u>	<u>69,543</u>	<u>7,002</u>
<b>Expenditures:</b>			
Current:			
Salaries	27,100	27,018	82
Employee benefits	12,575	12,751	(176)
Purchased services	685	1,799	(1,114)
Food	46,032	44,662	1,370
Equipment	301	300	1
Other	265	264	1
Total expenditures	<u>86,958</u>	<u>86,794</u>	<u>164</u>
Net change in fund balances	(24,417)	(17,251)	7,166
<b>Fund balances - beginning</b>	<u>(193,834)</u>	<u>(193,834)</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ (218,251)</u>	<u>\$ (211,085)</u>	<u>\$ 7,166</u>

**TINTIC SCHOOL DISTRICT**  
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
*Non K-12 Programs*  
**Nonmajor Special Revenue Fund**  
Year Ended June 30, 2010

	<b>2010</b>		<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Final Budgeted Amounts</b>	<b>Actual Amounts</b>	
<b>Revenues:</b>			
Local sources:			
Property Taxes	\$ 500	\$ 634	\$ 134
Community school fees	1,200	1,195	(5)
Total local sources	<u>1,700</u>	<u>1,829</u>	<u>129</u>
State sources:			
Preschool	11,795	11,795	-
Adult high school completion	33,090	33,090	-
Other State Agency	-	-	-
Total state sources	<u>44,885</u>	<u>44,885</u>	<u>-</u>
Federal sources:			
Special education preschool grant	6,764	3,333	(3,431)
Total revenues	<u>53,349</u>	<u>50,047</u>	<u>(3,302)</u>
<b>Expenditures:</b>			
Current:			
Salaries	64,000	63,958	42
Employee benefits	19,650	13,880	5,770
Purchased services	100	100	-
Supplies	500	2,133	(1,633)
Property	2,800	4,638	(1,838)
Other	2,250	2,245	5
Total expenditures	<u>89,300</u>	<u>86,954</u>	<u>2,346</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(35,951)</u>	<u>(36,907)</u>	<u>(956)</u>
<b>Fund balances - beginning</b>	<u>(111,390)</u>	<u>(111,390)</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ (147,341)</u>	<u>\$ (148,297)</u>	<u>\$ (956)</u>

**TINTIC SCHOOL DISTRICT**  
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
*Student Activities Fund*  
Year Ended June 30, 2010

	2010		Variance with Final Budget - Positive (Negative)
	Final Budgeted Amounts	Actual Amounts	
<b>Revenues:</b>			
Local sources:			
Student Activities	\$ -	\$ 118,721	\$ 118,721
Total local sources	-	118,721	118,721
Total revenues	-	118,721	118,721
<b>Expenditures:</b>			
Current:			
Instructional Services	-	158,897	(158,897)
Total expenditures	-	158,897	(158,897)
Excess (deficiency) of revenues over (under) expenditures	-	(40,176)	(40,176)
Net change in fund balances	-	(40,176)	(40,176)
<b>Fund balance - beginning</b>	133,667	133,667	-
<b>Fund balance - ending</b>	\$ 133,667	\$ 93,491	\$ (40,176)

**TINTIC SCHOOL DISTRICT**

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

*Debt Service Fund*

Year Ended June 30, 2010

	2010		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues:</b>			
Property tax	\$ 89,243	\$ 130,037	\$ 40,794
Total revenues	89,243	130,037	40,794
<b>Expenditures:</b>			
Debt service:			
Bond interest	12,775	12,774	1
Bond principal	76,000	76,000	-
Paying agent fees	468	468	-
Total expenditures	89,243	89,242	1
Excess (deficiency) of revenues over (under) expenditures	-	40,795	40,795
Net change in fund balances	-	40,795	40,795
<b>Fund balance - beginning</b>	285,988	285,988	-
<b>Fund balance - ending</b>	\$ 285,988	\$ 326,783	\$ 40,795

**TINTIC SCHOOL DISTRICT**  
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
**Capital Projects Fund**  
Year Ended June 30, 2010

	2010		Variance with Final Budget - Positive (Negative)
	Final Budgeted Amounts	Actual Amounts	
<b>Revenues:</b>			
Local sources:			
Property taxes	\$ 21,000	\$ 29,101	\$ 8,101
Total local sources	21,000	29,101	8,101
State sources:			
Other	200,000	200,000	-
Total state sources	200,000	200,000	-
Total revenues	221,000	229,101	8,101
<b>Expenditures:</b>			
Facilities:			
Construction and remodeling	164,510	51,585	112,925
Equipment:			
Total expenditures	164,510	51,585	112,925
Excess (deficiency) of revenues over (under) expenditures	56,490	177,516	121,026
Net change in fund balances	56,490	177,516	121,026
<b>Fund balance - beginning</b>	152,218	152,218	-
<b>Fund balance - ending</b>	<u>\$ 208,708</u>	<u>\$ 329,734</u>	<u>\$ 121,026</u>

## **OTHER REPORTS**



**GILBERT & STEWART**  
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SIONEY S. GILBERT, CPA  
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Education  
Tintic School District  
Eureka, UT

November 26, 2010

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tintic School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 26, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Tintic School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tintic School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal controls over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

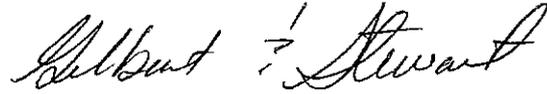
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tintic School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain immaterial instances of noncompliance that we have reported to management of Tintic School District in a separate letter dated November 26, 2010.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Utah State Auditor and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



GILBERT & STEWART  
*Certified Public Accountants*

**TINTIC SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS**  
**JUNE 30,2010**

10-1 Financial Statement Preparation

**Finding:** The District does not have an employee with certain expertise to draft the District's basic financial statements and related footnotes. The auditor, with oversight from management, drafts financial statements and footnotes. Management then reviews and accepts responsibility for the financial statements. As possible, management should make efforts to gain expertise regarding the preparation of the basic financial statements and footnotes to ensure that they are qualified to review, approve, and accept responsibility for the financial statements.

**District's Response:** Management will seek training on gaining expertise in preparation of the financial statements.

10-2 Year-End Adjusting Entries

**Finding:** The District does not currently post year-end adjusting journal entries necessary to adjust the financial statements. Management should make efforts to make the year-end entries to adjust to the proper basis of accounting.

**District's Response:** Management will seek training on posting year-end journal entries and adjusting the financial statements to the proper basis of accounting.

10-3 Segregation of Duties

**Finding:** During the course of our audit we found that the proper segregation of duties does not exist to provide for a proper internal control structure. Inherent staff limitations placed on small Districts make it difficult to provide for these separations in a cost effective manner. We recommend that, when feasible, the District provide for proper segregation of duties. However, because in so many instances it is not feasible to provide for these separations, the board of trustees should continue to constantly be aware of the need for administrative review of transactions and activities of the District.

**District's Response:** Management will review duties and ensure proper oversight of personnel.



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**INDEPENDENT AUDITOR'S REPORT ON  
LEGAL COMPLIANCE WITH APPLICABLE  
UTAH STATE LAWS AND REGULATIONS**

Board of Education  
Tintic School District  
Eureka, UT

November 26, 2010

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of Tintic School District for the year ended June 30, 2010, and have issued our report thereon dated November 26, 2010. As part of our audit, we have audited Tintic School District's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the year ended June 30, 2010. The District received the following major assistance programs from the State of Utah:

Minimum School Programs (State Office of Education)

The District also received the following nonmajor grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to test work as part of the audit of the Tintic School District's financial statements.)

School Lunch Program (State Office of Education)  
Drivers Education (State Office of Education)  
Substance Abuse (State Office of Education)

Our audit also included testwork on the District's compliance with those general compliance requirements identified in the State of Utah's Legal Compliance Audit Guide:

Public Debt  
Cash Management  
Purchasing Requirements  
Budgetary Compliance  
Property Tax  
Other Compliance Requirements

The management of Tintic School District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

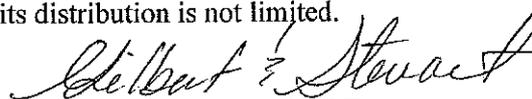
Our Audit does not provide a legal determination on the District's compliance with these requirements.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Tintic School District complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major state assistance programs for the year ended June 30, 2010.

The District's written response to the findings identified in our audit is described in the accompanying management letter. We did not audit the District's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Utah State Auditor, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record and its distribution is not limited.

  
GILBERT & STEWART  
*Certified Public Accountants*